

**DEPARTMENT OF WATER RESOURCES
FISCAL YEAR 2013/2014
SMALL BUSINESS IMPROVEMENT PLAN**



Business Services Office
Procurement and Contracting

I. Summary of Small Business Participation

In Fiscal Year (FY) 2012/2013, Department of Water Resources (DWR) expenditures for construction, personal services, commodities and IT services and goods totaled \$388,483,156. The department posted 20.8 percent small/micro-business (SB/MB) participation which is down 7.9 percent from FY 2011/2012.

By reporting category, DWR's SB/MB expenditures and participation levels for FY 2012/2013 are:

	Total FY Expenditures	SB/MB Expenditures	SB Participation %
Construction	\$ 86,988,597	\$ 27,228,997	31.3%
Personal Services	\$ 224,345,234	\$ 27,317,879	12.2%
Commodities	\$ 34,440,066	\$ 16,443,285	47.7%
IT Services/Goods	\$ 40,772,627	\$ 9,410,981	23.1%
CAL-CARD	\$ 1,936,633	\$ 463,740	23.9%
¹	\$388,483,156	\$ 80,864,833	20.8%

II. Explain Why the Participation Goal Was Not Achieved

CONSTRUCTION SERVICES

DWR's Division of Engineering (DOE) exceeded small business mandates.

DOE awarded \$86.9 million in construction contracts in FY 2012/2013. Of this amount \$27 million went to the small/micro-business sector representing 31.3 percent SB/MB participation. Altogether 17 contracts were awarded and of these awards, six were awarded to small business prime contractors, and the remaining 11 contracts included 29 small or micro-businesses subcontractors.

¹ ¹ Data Source: SAP (Transaction codes – ZSMDV; ZMMBIDOPT; ZMMREG)

PERSONAL / PROFESSIONAL SERVICE CONTRACTS

Personal Services

The personal services sector did not meet Small Business Program mandates. Owing to the department's unique environmental, mechanical, electrical and specialized State Water Project (SWP) equipment service needs, this sector remains a challenge.

Last year DWR achieved 29 percent SB participation. This was greatly contributed to by the fact that a \$15 million architectural/engineering (A/E) professional service contract was awarded to a firm certified as both SB and Disabled Veteran Business Enterprise (DVBE). This bolstered the department's small business participation significantly and resulted in DWR achieving the highest ever participation. Additionally, many of DWR contract awards are cyclic resulting in small business participation higher in some years than in others.

DWR awarded \$224.3 million for personal and professional services in FY 2012/2013. Of this amount, \$27.3 million was awarded to small/micro-business firms representing 12.2 percent SB participation. Overall, 218 personal services and professional contracts were awarded of which 55 (25 percent) were awarded to small/micro-business firms.

Most DWR high-dollar personal service contracts range between \$2 million and \$5 million. However, this year our Division of Operations and Maintenance issued a single contract for \$40 million to a non-California firm for highly specialized knowledge and skills related to State Water Project equipment maintenance. Historically there are no small businesses with the requisite knowledge and skills that meet DWR's equipment service and maintenance requirements. Therefore, it is difficult for DWR to achieve SB participation in these contracts.

DWR also awarded 19 (10 percent) of the 194 personal services contracts through the Inter-Con Master Service Agreement for security services totaling \$8.4 million. This contractor is not a small business and there are no SB opportunities within the work/services scope.

DWR utilizes the SB Option process whenever possible, and this year successfully increased the number of SB Option contract awards. However, challenges remain in locating small businesses for some of the department's service needs and are dependent upon SB availability, interest and service locations. For example, DWR was unsuccessful in awarding contracts for training, vehicle transport and transcription services and despite contacting a number of SB firms to determine interest for each contract effort and invite participation, could not achieve greater than one response in each instance which prevented award.

DWR program staff and contract specialists continue working proactively to include small businesses in DWR contracts. Overall, of the 194 personal service contracts awarded, 121 (62 percent) included a SB/MB prime or SB/MB subcontractor(s).

Architectural/Engineering (A/E) Contract Services

Professional services contract staff awarded 21 contracts totaling \$121.6 million. None of the awarded contracts were made to the small business sector. Of this total, \$11.3 million went to the small business community reflecting 9.36 percent participation.

A/E services for DWR are very specialized consulting services issued through the Request for Qualification (RFQ) process. Currently, contracts solicited under Government Code 4525 include no components for evaluating small business. However, DWR has

strengthened SB language in our solicitations and has also raised awareness amongst A/E firms about the need and requirement to meet SB mandates. This increased the number of small business team-members on these contracts. Some attaining 25 percent or more, and in two cases nearly 50 percent.

COMMODITIES

DWR buyers met Small Business Program mandates posting 47.7 percent participation.

DWR buyers have exceeded SB mandates for nine consecutive years. In FY 2012/2013, DWR buyers spent \$34,440,066 and of this amount \$16,443,285 was spent in the SB sector. This exceeds state mandates by nearly 23 percent. Buyers also increased the number of SB Option awards by 15 percent. They awarded 194 SB Option purchases (vs. 166 in FY 2011/2012) totaling \$4.9 million dollars.

INFORMATION TECHNOLOGY (IT) GOODS AND SERVICES

The IT Goods/Services sector did not meet Small Business mandates.

In FY 2012/2013, DWR IT headquarters and field division buyers issued 502 POs spending \$40,772,626 on IT software, hardware and services. Of the total number of POs issued, 39 were to small/micro-businesses totaling \$9,410,981 and resulting in 23 percent SB participation.

The bulk of IT Goods/Services are procured through the state's mandatory Leveraged Procurement Agreements that are not with small businesses and they do not include SB subcontracting opportunities. Of the 502 POs issued, 463 were made using mandatory IT Goods/Service providers with the remaining POs awarded to SB/MB firms.

IT service awards totaled \$13.2 million and of this total \$1.67 was awarded to small businesses. There were 23 contract/amendments executed and of this total 8 (28 percent) were to small/micro-business firms. IT procurement staff continue including small business whenever and wherever possible.

CAL-CARD

CAL-Card holders had 1,670 transactions and spent \$1,936,632 in FY 2012/2013. Of these transactions, 222 were SB transactions totaling \$463,740. CAL-Card users placed 23.9 percent of their purchases with the SB sector. This represents a 173 percent increase over last year's 4.39 percent expenditures. A number of CAL-Card users are in remote locations doing field work. Immediate needs for equipment/supplies are procured from the closest vendor possible and these are not usually certified small businesses.

III. Plan to Enhance Contracting Opportunities for Small Business

A. Policy

Review existing small business contract policies and practices. Recommend changes as appropriate to ensure DWR's SB program reflects statewide mandates across all programs.

B. Collaborative Efforts

In FY 2013/2014, the Advocate will interact throughout the department at many levels, including: line-staff, program staff, and mid and executive management levels to keep small business opportunity at the forefront. In that regard, the Advocate will continue supporting SB program activities through collaborative efforts with DOE A/E contract

staff, headquarter/field division buyers and contract specialists helping them further identify additional SB/DVBE opportunities.

C. Contracting Practices

The Advocate will provide continued support to the DWR contracting process as a SB program subject matter expert. Included in this are: development of SB program training with all its attendant aspects (Non-Small Business (NSB), Prompt Payment, Commercially Useful Function (CUF)); attendance at pre-bid conferences; assistance to staff to identify additional SB/MB Bid Option opportunities; frequent interaction with headquarter/field division buyers and contract specialists and development of SB program contracting templates (Option, CUF evaluation SB bid evaluation components/forms).

The Advocate will conduct annual meetings with DWR A/E firms and contract/program managers to discuss existing SB performance to recommend improvement solutions for FY 2013/2014, and acknowledge firm SB program achievements by these firms.

IV. Planning and Advocacy

FY 2013/2014 planning and advocacy activities include:

1. Final development of a comprehensive Small Business formal training course and various smaller topical workshops for DWR procurement/contract staff.
2. Outreach and assistance to staff to further identify service contracts that lend themselves to the SB/DVBE Bid Option.
3. Represent DWR at various DGS SB/MB sponsored outreach events to increase DWR's visibility and networking opportunities.
4. Meet with A/E program managers, prime firms and SBs to foster partnerships in response to DWR's RFQ process.

V. Monitor and Continuously Improve

FY 2013/2014 activities and program improvements include:

1. Monitor acquisitions to ensure each accurately reflects SB awards and participation. This includes commodities, services, and IT Good/Services tracking systems.
2. Monitor DOE construction contract awards for SB/MB performance; meet with staff to discuss as needed.
3. Meet twice monthly with A/E subject matter experts to review planned, advertised and awarded A/E contracts.
4. Identify performance deficiencies within each of the programs and work collaboratively on solutions that result in improved performance.